

Kenneth Rust
Director
Federal Regulatory Matters

EX PARTE OR LATE FILED

NYNEX

April 16, 1997

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL
RECEIVED

'APR 16 1997

Federal Communications Commission
Office of Secretary

Re: CC Docket No 96-262

Dear Mr. Caton:

Today, Frank Gumper, representing NYNEX, Bruce Cox, representing AT&T, and Ed Lowry and Alan Mettler, representing Bell Atlantic, met with Thomas Boasberg, Legal Assistant to Chairman Hundt, regarding the item captioned above. The attached material on the joint AT&T/Bell Atlantic/NYNEX proposal for access reform, already a part of the record in this proceeding, was used during the presentation and ensuing discussion, during which the representatives elaborated and clarified information contained in the attached.

Any questions on this matter should be directed to me at either the address or the telephone number shown above.

Sincerely,



Attachment

cc: T. Boasberg (letter only)

No. of Copies rec'd
List ABCDE

022



Bell Atlantic Network Services, Inc.
One Bell Atlantic Plaza
1310 North Court House Road, 11th Floor
Arlington, Virginia 22201
703 974-1200
FAX 703 974-8261
E-Mail: edward.d.young@bell-atl.com

Edward D. Young, III
Vice President - External Affairs and
Associate General Counsel

April 14, 1997

EX PARTE

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW - Room 222
Washington, DC 20554

Re: CC Docket Nos. 96-45 and 96-262

Dear Mr. Caton:

On April 4, 1997, AT&T, Bell Atlantic and NYNEX outlined a proposal to achieve interstate Universal Service and access charge reform. The attached charts and spreadsheets show the effects of that proposal on the industry and on long distance carriers, local carriers, and consumers. Attachment 5 contains a detailed implementation schedule.

In developing this proposal, the companies focused on five goals:

- Continue historic Universal Service requirements while increasing Universal Service support for rural telephone service
- Fully fund the new education and health care components of Universal Service
- Reduce telephone rates for consumers
- Reduce access rates
- Minimize the risk of a successful legal challenge to the plan

The proposal put forth by AT&T, Bell Atlantic and NYNEX successfully achieves these five goals.

The plan would continue to provide support for basic local telephone service at affordable rates. Also, rural telephone companies would receive additional Universal Service funds to lower their interstate access charges.

The proposal provides funding for inside wiring and advanced telecommunications services for schools and libraries and discounts for telephone service to rural health care facilities. These are significant new federal programs required by the 1996 Telecommunications Act. The funding required for these new programs would be financed in part through a 75¢ Universal Service for America Contribution by telephone customers,

phased in for residential customers through 25¢ increases every six months. The contribution could be reduced after all facilities are connected.

Another highlight of the plan is that consumers would enjoy a net \$900 million reduction in telephone charges over the next 18 months, even after taking into consideration their modest contribution to support Universal Service.

Effective July 1, 1997, the access charges that local telephone companies now receive from long-distance carriers for use of the local telephone network to begin and complete long-distance calls will be cut by \$2.5 billion. This represents a significant reduction in access rates by local companies including Bell Atlantic and NYNEX. Long distance companies led by AT&T, after making their required contribution to Universal Service, would reduce long distance customer rates by over \$2 billion.

If all industry participants and the Commission support this balanced compromise, the uncertainty and delay inherent in further litigation of these issues can be avoided.

We encourage other participants in this process to review this proposal and consider supporting it. We believe it balances the interests of all telecommunications providers and the public we serve.

We request that the attached be made part of the record in the proceedings captioned above.

Sincerely,



Attachment

cc: Chairman Reed E. Hundt
Commissioner James H. Quello
Commissioner Rachelle B. Chong
Commissioner Susan Ness
Mr. James Coltharp
Mr. Daniel Gonzalez
Mr. James Casserly
Mr. Thomas Boasberg
Ms. Regina M. Keeney
Mr. A. Richard Metzger, Jr.
Ms. Kathleen B. Levitz
Mr. John Nakahata
Mr. Joseph Farrell
Mr. James D. Schlichting
Mr. Richard K. Welch

ATT/Bell Atlantic/NYNEX Interstate Proposal

Overview

On April 4, 1997 AT&T, NYNEX, and Bell Atlantic provided a detailed outline of an interstate proposal to achieve Universal Service and access charge reform. Attached are charts and spread sheets that display estimates of the quantitative effects of that proposal. These attachments demonstrate how the plan will result in the following benefits (Attachment 1):

- toll reductions to consumers,
- full funding of the Joint Board recommendations to connect schools, libraries, and rural non-profit health care providers,
- increased support for rural local exchange carriers to allow them to reduce access charges and maintain affordable rates, and
- increased support for Lifeline and Linkup programs.

Attachment 2 displays the first year access revenue reductions for each price cap local exchange company and illustrations of potential cumulative 5 year impacts. The results of this analysis show that the cumulative impacts are well balanced and equitable. The combination of a one time initial rate reinitialization based upon reported interstate costs and a five year phase out of the TIC rate element are the primary factors in creating this balanced impact.

In the first year, companies will apply their revenue reductions initially to their TIC. This reduces the amount of TIC remaining to be phased out in subsequent years. For some companies there would be no TIC remaining to phase out after the first year and thereafter their price changes would reflect normal price cap/access adjustments. Conversely, companies like NYNEX would reduce rates by \$156 million in year one under rate reinitialization and would still be obligated to reduce rates by at least \$97 million per year in subsequent years in order to phase out their remaining TIC.

Attachment 3 displays the impact that this proposal will have on the average access usage rate for each price cap company. The industry average usage rate will decline from 2.7 cents per minute-of-use today to approximately 1.5 cents per minute-of-use on January 1, 1998. Further reductions are guaranteed as some companies continue to phase out their TIC in July 1998 and annually in each of the following three years.

Attachment 4 provides a summary of the Universal Service Funds that are supported by this plan. It shows the estimated total size of the funds when fully

in place, the amount of each fund that would be recovered from IXC's, LEC's, and other carriers, and, for the IXC's, it shows the amount of their new funding obligation compared to what they pay today through Universal Service and access charges. The total size of the fund is \$5.36 billion (based upon more accurate high cost information). Of that amount, \$3.3 billion is new money not currently funded through either Universal Service payments or access charges.

Attachment 5 explains the universal service and access rate structure changes proposed in the plan and the impact of those changes. In addition, Attachment 5 also describes the implementation timeline under the proposal. The plan will substantially realign the interstate reported access costs and rates by increasing the proportion of non-traffic sensitive costs that LEC's will recover through flat rate charges. This means that usage charges will be better aligned with variable (traffic sensitive) costs.

Attachment 6 lays out the various changes being proposed across a timeline and demonstrates how the plan will impact IXC's, LEC's, and consumers. The major milestone dates for this plan are:

- July 1, 1997 when access and toll reductions are implemented and the first changes to Universal Service are initiated for new programs to support schools and libraries;
- January 1, 1998 when access charges are restructured and changes to the high cost and rural telephone company support components of Universal Service are implemented; and,
- July 1, 1998 when the final components of the Universal Service proposals are fully implemented and the next step of access charge reductions takes place.

Finally, the attached Appendices provide detailed spread sheets and notes containing the basic data and company specific impacts for the changes implemented on July 1, 1997, on January 1, 1998, and on July 1, 1998.

Although this joint AT&T/Bell Atlantic/NYNEX proposal is comprehensive, the parties were unable to reach an agreement on the ultimate level of high cost universal service support for large LEC's. In addition, the parties have not agreed to the structure of price cap regulation beyond those recommendations described within this proposal or the levels of access prices beyond January 1, 1998.

ATT/Bell Atlantic/NYNEX Proposal

Plan Highlights

• National Universal Service Fund		\$5.36B
◊ Maintains and expands support for rural LECs		
Existing high cost	.450B	
Existing long term support	.410B	
Existing DEM weighting support	.375B	
New access rate disparity support	<u>.500B</u>	
Total	\$1.735B	
◊ Supports new funds		
Education	2.250B	
Healthcare	.400B	
Expanded Lifeline & Link-up	<u>.650B</u>	
Total	\$3.300B	
◊ Continues support for Large Companies	\$.325B	
• Explicit LEC collection mechanism for "Universal Service for America" contribution		\$1.4B
• Per MOU access rate decrease		49%
• Long distance toll reductions		\$2.1B
• Total cumulative ('97 - '98) consumer savings		\$900M

ATT/Bell Atlantic/NYNEX Proposal
Summary of Revenue Reductions
July 1, 1997 and Cumulative Through July 1, 2001
(\$ millions)

<u>Company</u>	<u>July 1, 1997 Reduction</u>	<u>Remaining Non-Service Related TIC Calculated Jan. 1, 1998 *</u>	<u>July 1, 1998 PC Reduction @ 5.3% or 25% of Non-Service Related TIC **</u>	<u>Est. Total Reduction through July 1, 2001</u>
Ameritech	\$363	\$0	\$56	\$587
Bell Atlantic	\$98	\$210	\$75	\$396
NYNEX	\$156	\$367	\$97 T	\$545
Bell South	\$404	\$0	\$77	\$711
SBC	\$64	\$129	\$53	\$277
Pacific Tel.	\$281	\$0	\$39	\$435
US West	\$152	\$244	\$65 T	\$410
GTE	\$462	\$0	\$61	\$704
Sprint	\$182	\$0	\$23	\$273
All Others	\$55	\$25	\$17	\$123
Total Reductions	\$2,216		\$561	\$4,461

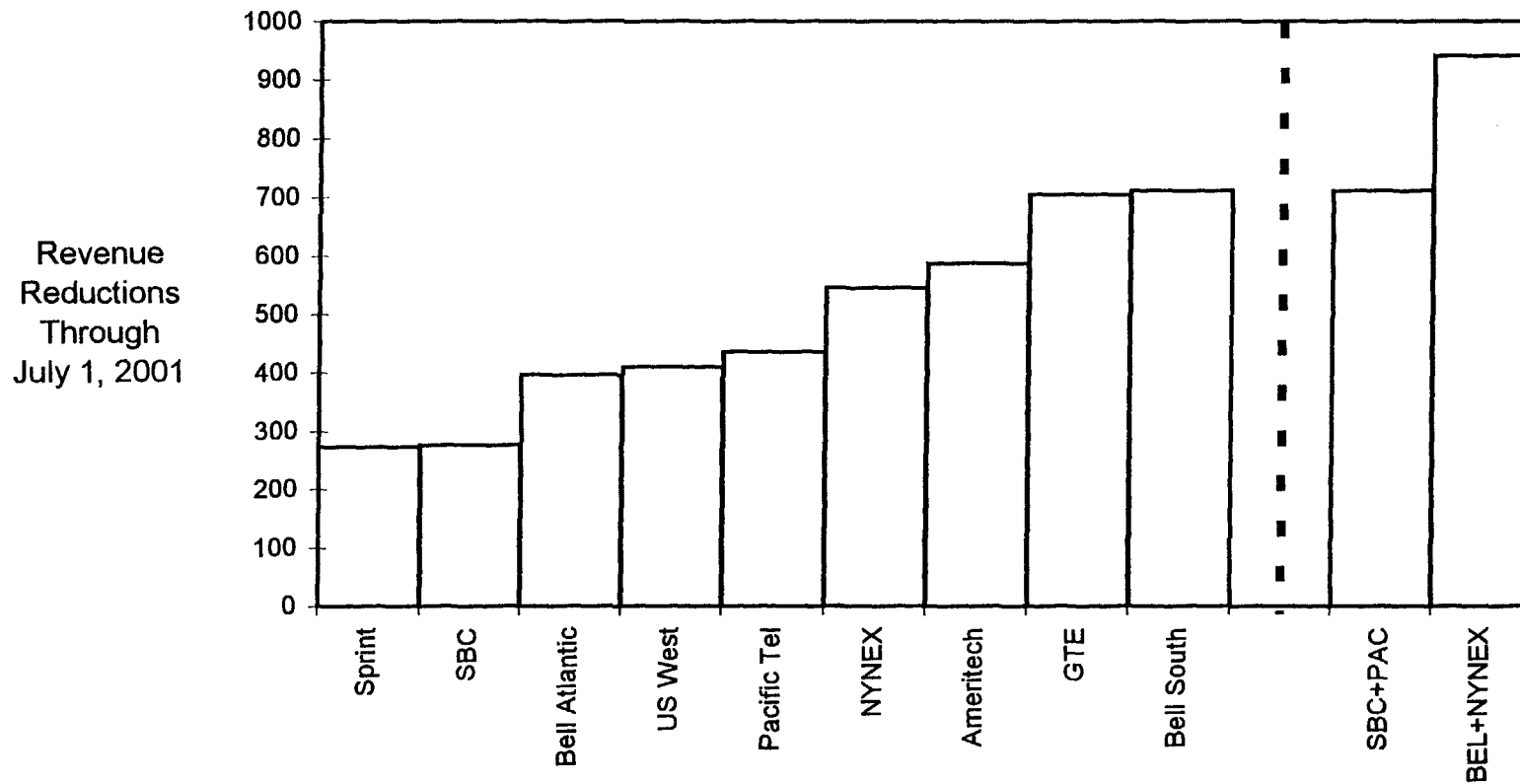
* Derived by estimating service related TIC at 20% of total TIC

** For illustrative purposes, assumed price cap filing at 5.3% productivity and GDPPI of 2.7%

(T) Indicates that 25% of non-service related TIC is greater than price cap reduction at 5.3%

ATT/Bell Atlantic/NYNEX Proposal
Summary of Estimated Total Revenue Reductions
For Large Price Cap Companies

(\$ millions)



ATT/Bell Atlantic/NYNEX Proposal
Summary of Average Minute of Use Rates

<u>Company</u>	<u>Current</u>	<u>July 1, 1997</u>	<u>Jan. 1, 1998</u>	<u>July 1, 1998 *</u>
Ameritech	\$0.024	\$0.016	\$0.010	\$0.009
Bell Atlantic	\$0.021	\$0.018	\$0.013	\$0.011
NYNEX	\$0.035	\$0.031	\$0.025	\$0.023
Bell South	\$0.026	\$0.019	\$0.013	\$0.011
SBC	\$0.024	\$0.021	\$0.015	\$0.013
Pacific Tel.	\$0.022	\$0.012	\$0.008	\$0.007
US West	\$0.026	\$0.023	\$0.018	\$0.016
GTE	\$0.038	\$0.025	\$0.018	\$0.017
Sprint	\$0.032	\$0.020	\$0.014	\$0.013
Average rate	\$0.027	\$0.021	\$0.015	\$0.014
(all Price Cap LECs)				
% Decr. from Current Rate		-23%	-44%	-49%

* For illustrative purposes, assumed price cap filing at 5.3% productivity and GDPPI of 2.7%.

Universal Service
(\$ millions)

As of July 1, 1997

<u>Fund</u>	<u>Total Proposed</u>	<u>IXCs Current</u>	<u>IXCs Proposed</u>	<u>IXCs Changes</u>	<u>LECs Proposed</u>	<u>All Others Proposed</u>
National Services:						
Schools and Libraries (1)	1,125.0	-	479.3	479.3	532.1	113.6
Rural Health Care	-	-	-	-	-	-
Lifeline, Linkup	<u>180.0</u>	<u>180.0</u>	<u>180.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	1,305.0	180.0	659.3	479.3	532.1	113.6
 High Cost: Rural LECs	 1,735.0	 1,735.0	 1,735.0	 -	 -	 -
 High Cost: Large LECs	 325.0	 325.0	 325.0			
Total	3,365.0	2,240.0	2,719.3	479.3	532.1	113.6
 Access Flow Back	 -	 -	 -	 -	 -	 -

(1) Schools and libraries funding phased-in to reach \$2,250M on 1/1/98.

Universal Service
(\$ millions)

As of January 1, 1998

<u>Fund</u>	<u>Total Proposed</u>	<u>IXCs Current</u>	<u>IXCs Proposed</u>	<u>IXCs Change</u>	<u>LECs Proposed</u>	<u>All Others Proposed</u>
National Services:						
Schools and Libraries	2,250.0	-	958.5	958.5	1,064.3	227.2
Rural Health Care (1)	150.0	-	63.9	63.9	70.9	15.2
Lifeline, Linkup (2)	<u>380.0</u>	<u>180.0</u>	<u>161.9</u>	<u>(18.1)</u>	<u>179.7</u>	<u>38.4</u>
Subtotal	2,780.0	180.0	1,184.3	1,004.3	1,314.9	280.8
High Cost: Rural LECs						
Existing high cost	450.0	450.0	356.0	(94.0)	57.1	36.9
Existing long term support	410.0	410.0	324.3	(85.7)	52.1	33.6
Existing DEM weighting	375.0	375.0	296.6	(78.4)	47.6	30.8
New access rate disparity	<u>500.0</u>	<u>500.0</u>	<u>395.5</u>	<u>(104.5)</u>	<u>63.5</u>	<u>41.0</u>
Subtotal	1,735.0	1,735.0	1,372.4	(362.6)	220.3	142.3
High Cost:						
Large LECs	325.0	325.0	257.1	(67.9)	41.3	26.6
Total	4,840.0	2,240.0	2,813.8	573.8	1,576.5	449.7
Access Flow Back	-	-	31.8	31.8	(31.8)	-

(1) Start-up commences at \$150M and increases to \$400M on 1/1/99.

(2) Assumes 6M lifeline customers 1/1/98, 8M by 7/1/98 and 10M by 1/1/99.

Universal Service
(\$ millions)

As of July 1, 1998

<u>Fund</u>	<u>Total Proposed</u>	<u>IXCs Current</u>	<u>IXCs Proposed</u>	<u>IXCs Changes</u>	<u>LECs Proposed</u>	<u>All Others Proposed</u>
National Services:						
Schools and Libraries	2,250.0	-	958.5	958.5	1,064.3	227.2
Rural Health Care	250.0	-	106.5	106.5	118.2	25.3
Lifeline, Linkup	<u>525.0</u>	<u>180.0</u>	<u>223.7</u>	<u>43.7</u>	<u>248.3</u>	<u>53.0</u>
Subtotal	3,025.0	180.0	1,288.7	1,108.7	1,430.8	305.5
High Cost: Rural LECs						
Existing high cost	450.0	450.0	356.0	(94.0)	57.1	36.9
Existing long term support	410.0	410.0	324.3	(85.7)	52.1	33.6
Existing DEM weighting	375.0	375.0	296.6	(78.4)	47.6	30.8
New access rate disparity	<u>500.0</u>	<u>500.0</u>	<u>395.5</u>	<u>(104.5)</u>	<u>63.5</u>	<u>41.0</u>
Subtotal	1,735.0	1,735.0	1,372.4	(362.6)	220.3	142.3
High Cost:						
Large LECs	325.0	325.0	257.1	(67.9)	41.3	26.6
Total	5,085.0	2,240.0	2,918.2	678.2	1,692.4	474.4
Access Flow Back	-	-	31.8	31.8	(31.8)	-

ATT/Bell Atlantic/NYNEX Proposal

Universal Service/Access Reform Implementation Schedule

Overall, the Universal Service proposal will accomplish the following:

- Maintain support for rural LECs
- Maintain existing high cost support and funding for large LECs
- Each carrier's contribution to the high cost funds described above will be determined as a percentage of interstate retail charges.
- Establish a National Services Fund that, when fully implemented, includes the following components and amounts:
 - \$2.25B for schools and libraries that implements the Joint Board recommendation based upon the Telecommunications Act of 1996.
 - Approximately \$400M for discounted services to rural not-for-profit health care providers.
 - Approximately \$650M to support expanded Lifeline and Link-up programs in all states.
 - The components of this National Services Fund total approximately \$3.3B.
 - Each carrier's obligation to the Fund is determined as a percentage of interstate and intrastate retail revenues. The LEC recovers its assessment, however, entirely through interstate retail rates.
 - Mechanisms need to be developed to insure that no segment of the telecommunications industry, either wireline or wireless, pay more than their fair share to these funds.
- The LEC obligation for the National Services Fund and rural high cost will be recovered in the following manner:
 - A "Universal Service for America" contribution from all end users on a per line basis. The residential portion of this charge will be implemented in three phases consistent with the timing of the overall funding requirements. The residential charge will be phased-in beginning at \$.25 on July 1, 1997, with increases of \$.25 on January 1, 1998 and July 1, 1998. The business per line contribution will be set at an amount to make up the difference in the funding requirements. On average this equals \$.75. Both residential and business charges will be decreased after the wiring of the schools and libraries is concluded.
 - Additional funding obligations from toll will be recovered by an exogenous adjustment to the interexchange basket.
 - The additional funding obligations from special access purchased by end users would be recovered, at the company's option, through a separate mechanism outside of price caps applicable to end users only.

Effective July 1, 1997:

Universal Service

- Maintain support for rural LECs
 - The existing high cost fund support for small LECs
 - The existing Long Term Support for small LECs
 - The existing DEM Weighting support for small LECs
- Maintain existing high cost support and funding for large LECs
- Establish a National Services Fund:
 - Begin implementation of education component of the fund at an annual level of \$1.125B;
 - Existing \$180M Lifeline and Link-up support continues.
- Recovery for the National Services Fund will begin:
 - "Universal Service for America" contribution initial level for residence users of \$.25.
 - The business per line contribution will be set at an amount to make up the difference in the funding requirements. On average this equals \$.75.
 - Additional funding obligations from toll will be recovered by an exogenous adjustment to the interexchange basket.
 - The additional funding obligations from special access purchased by end users would be recovered, at the companies option, through a separate mechanism outside of price caps applicable to end users only.

Access Reform

- To implement the new access structure, LECs will first set all price cap indices (PCI) equal to actual price indices (API) and equal to service band indices (SBI).
- The TIC will be removed from the transport basket and established as a separate basket.
- Each LEC determines its access rate reduction for July 1 in the following way:
 1. Determine the revenue reduction resulting from using the current Price Cap Rules.
 2. Determine the revenue reduction required to reduce the TIC by 20% (first step of five year phase out).
 3. Determine the revenue reduction required to reinitialize rates to a 11.25% ROR.
 4. The LEC access rate reduction is the greatest of the above three calculations.

- All reductions applied to reduce the TIC rate element (up to 80% of total TIC pending FCC determination of "service-related" TIC costs). Any excess reduction is applied to the CCL.
- Increase the cap on Single Line Business SLC from \$3.50 to \$6.00 and increase the cap on Multiline Business SLC from \$6 to \$8 and reduce CCL. These rates will increase from their current levels to the lower of cost or the cap.
- After reductions all PCIs set equal to APIs and SBIs.
- To determine price cap productivity, the Commission should review the effects of market place and rate structure changes.
- No changes to separations cost allocations or on the basis of demand stimulation.

Effective January 1, 1998:

Universal Service

- Establish a Rural Local Exchange Company Fund for rural LECs that includes the following components:
 - The existing high cost fund support for small LECs
 - The existing Long Term Support for small LECs
 - The existing DEM Weighting support for small LECs
 - New support designed to reduce the disparity between the access charges of rural LECs and large companies.
 - This fund would be approximately \$1.735B. Funding obligations for this fund would be assessed to carriers based upon their share of total interstate retail revenues
- Expand the National Services Fund as follows:
 - Fully fund the \$2.25B for schools and libraries (increase of \$1.125B).
 - Of the approximately \$400M for discounted services to rural not-for-profit health care providers, funding of \$150M would begin on January 1, 1998
 - Of the approximately \$650M to support expanded Lifeline and Link-up programs, funding of \$380M would also begin on January 1, 1998 based upon an estimate of 6M Lifeline customers (increase of \$200M). The Lifeline fund would support the \$3.50 SLC charge, the \$.50 "Universal Service for America" contribution. The fund would also allow LECs to forgo charging the \$1.00 residential PSL charge to carriers.
- Increase the "Universal Service for America" contribution for residence end users to \$.50 on January 1, 1998.

- Establish a high cost fund for large LECs that serve costly geographic markets would be established. This would amount to approximately \$325M, equivalent to the current level of high cost funding provided to large LECs.
 - Funding obligations for this fund would be assessed to carriers based upon their share of total interstate retail revenues. LECs would collect their obligation based upon total interstate revenues (subject to SLC caps). As such, a portion of the LEC obligation would flow back to the IXCs through carrier access charges.

Access Reform

- Establish a Presubscribed Line Charge (PSL) billed to interexchange carriers. Cap the PSL charge at \$1 for residence lines and \$2 for business lines. Target reductions to cover non-traffic sensitive (NTS) costs of CCL and then local switching rate elements.
 - PSL charge is an average charge per holding company.
 - If NTS costs are less than caps, retain the 2 to 1 ratio of business to residence PSL charges.
- FCC completes definition of "service-related" components of TIC and initiates transition period to appropriate rate elements.
- The existing interim transport rate structure should be continued.
- Collapse the current common line and switching baskets into a single basket subject to switching basket PCI.
- Combine the LS, Information Surcharge, and any residual CCL into a single usage rate.
- Require that the terminating access rate be no higher than the originating access rate for all carriers.
- With the opening of local exchange markets to increased competition, the Commission should consider the appropriateness of additional pricing flexibility for ILECs under the new price cap structure that should also be effective January 1, 1998.

Effective July 1, 1998:

Universal Service

- Expand the National Services Fund as follows:
 - Of the approximately \$400M for discounted services to rural not-for-profit health care providers, funding would increase to \$250M (increase of \$100M).

- Of the approximately \$650M to support expanded Lifeline and Link-up programs, funding would increase to \$525M based upon an estimate of 8M Lifeline customers (increase of \$145M).
- Increase the "Universal Service for America" contribution for residence end users to \$.75.

Access Reform

- Continue phase-out of the remaining TIC over four years by targeting all reductions to the TIC. Amount of reduction determined by taking the greater of 25% of TIC on January 1, 1998, or the annual reduction calculated using price cap rules.

July 1, 1999 - July 1, 2001:

Universal Service

- The National Service Fund would increase to anticipated full participation levels.
- The "Universal Service for America" contribution would decrease after wiring of schools and libraries is concluded.

Access Reform

- Phase-out of remaining TIC continues.

Summary of AT&T/Bell Atlantic/NYNEX Proposal

IXC Annual Impact as of 1/1/98

Access Reductions

"Triple Play" By Company (P-Cap, 20% TIC, Reinitialization to 11.25%)	(2,200) Higher of the three possibilities
--	--

Restructures

Increased SLCs	(370) Cap raised to \$6 for Single Line Business, \$8 for Multi Line
"PSL" line charges from LECs*	2,362
LEC reduction in usage-based access charges	(2,432)
Total Restructures	(440)

High cost Component of New USF

Small, rural LECs:

LTS	(410)
DEM	(375)
Old High cost	(450)
Access Differential	(500) Permits Rural Cos to equalize their rates with large LECs
Total Small, rural LECs High Cost	(1,735)

Large LECs High Cost	(325)
----------------------	-------

Total High Cost	(2,060)
-----------------	----------------

Other Reductions

Removal of Existing Lifeline charge (per line from NECA)	(181)
---	--------------

Total IXC Impact before New USF**(4,881)****New USF**

New money for National Services

Schools & Libraries	2,250
Rural Health Care	150
Lifeline, Link-up	380
Total before assessments	2,780

IXCs assessed 42.6% of National Services	1,184 Assessment based on total retail revenues
--	--

IXCs assessed 79.1% of new high cost fund	1,629 Assessment based on interstate retail revenues
---	---

Total New USF charges to IXCs**2,814**

Access "Flowback" charged to IXCs	32 Covers LEC obligation for large LEC high cost (above SLC caps)
-----------------------------------	--

Net IXC revenue impact**(2,036)**

*Excludes line charges associated with Lifeline customers

**Summary of AT&T/Bell Atlantic/NYNEX Proposal
Universal Service Funding & Assessment**

	<u>7/1/97</u>	<u>1/1/98</u>	<u>7/1/98</u>	<u>Total</u>
1. High Cost Fund				
Large LECs		325		325
Small, rural LECs:				
LTS		410		410
DEM		375		375
Old High cost		450		450
Access Differential		500		500
Total High Cost		2,060		2,060
2. National Services (New Money)				
Schools & Libraries	1,125	1,125		2,250
Rural Health Care		150	100	250
Lifeline, Link-up		380	145	525
Total National Services	1,125	1,655	245	3,025
3. Total New Universal Service Fund	1,125	3,715	245	5,085
4. Assessment of New Universal Service Fund on Retail Revenues				
High Cost Fund Payments (assessed on Interstate revenues)				
IXCs	-	1,629	-	1,629
LECs	-	262	-	262
Other	-	169	-	169
Total	-	2,060	-	2,060
National Services Payments (assessed on total revenues)				
IXCs	479	705	104	1,289
LECs	532	783	116	1,431
Other	114	167	25	306
Total	1,125	1,655	245	3,025
Total NUSF				
IXCs	479	2,334	104	2,918
LECs	532	1,044	116	1,692
Other	114	336	25	474
Total	1,125	3,715	245	5,085

**Summary of AT&T/Bell Atlantic/NYNEX Proposal
IXC Impacts**

		Annual Expense Change (\$M) as of:			
		<u>7/1/97</u>	<u>1/1/98</u>	<u>7/1/98</u>	<u>Total</u>
Access Reductions					
	"Triple Play" By Company				
	(P-Cap, 20% TIC, Reinitialization to 11.25%)	(2,200)	-	(561)	(2,761)
Restructures					
	Increased SLCs	(370)			(370)
	"PSL" Line charges from LECs*	-	2,362	(27)	2,335
	LEC reduction in usage-based access charges	-	(2,432)	-	(2,432)
	Sub Total	(370)	(70)	(27)	(467)
Removal of New USF Components					
	New High Cost fund	0	(2,060)	0	(2,060)
Other Reductions					
	Removal of Existing Lifeline charge				
	(per line from NECA)		(181)		(181)
	Payment of "Access Flowback" to LECs		32		32
	Sub Total	0	(149)	0	(149)
Total Access Charge Reform Before New USF		(2,570)	(2,279)	(588)	(5,437)
IXC New USF Payments		479	2,334	104	2,918
Net IXC Impact		(2,091)	55	(483)	(2,519)

*Excludes line charges associated with Lifeline customers

Summary of AT&T/Bell Atlantic/NYNEX Proposal
LEC Impacts

		Annual Revenue Change (\$M) as of:			
		<u>7/1/97</u>	<u>1/1/98</u>	<u>7/1/98</u>	<u>Total</u>
Access Reductions					
"Triple Play" By Company					
(P-Cap, 20% TIC, Reinitialization to 11.25%)		(2,200)		(561)	(2,761)
Restructures					
Increased SLCs		370	-	-	370
SLC reduction in usage rates		(370)			(370)
"PSL" Line charges to IXC			2,362	(27)	2,335
IXC usage reduction to offset line charges			(2,432)		(2,432)
Sub Total		0	(70)	(27)	(97)
New USF Components					
Lifeline Receipts from New USF			380	145	525
Lifeline Discounts to End Users		-	(310)	(118)	(428)
Access "Flowback" Revenue from IXC			32		32
Sub Total		0	102	27	129
LEC New USF Payments		532	1,044	116	1,692
National Services Collections		532	1,013	116	1,661
LEC Net Impact		(2,200)	0	(561)	(2,761)

**Summary of AT&T/Bell Atlantic/NYNEX Proposal
Customer Impacts* (Telephone Bill)**

	Annual Impacts (\$M) as of:			
	<u>7/1/97</u>	<u>1/1/98</u>	<u>7/1/98</u>	<u>Total</u>
Change in IXC toll charges	(2,091)	55	(483)	(2,519)
Increased SLCs	370			370
LEC Charges for National Services	532	1,013	116	1,661
Total IXC and Local Telephone Customer Impact	(1,189)	1,068	(368)	(488)

Calendar Year Impacts

	<u>1997</u>	<u>1998</u>	<u>Cumulative</u>
7/1 /97 Impacts	(594)	(1,189)	(1,783)
1/1/98 Impacts		1,068	1,068
7/1/98 Impacts		(184)	(184)
Total	(594)	(305)	(899)

*Excluding benefits of Rural Health Care and Schools & Libraries
() denotes customer savings

**ATT/Bell Atlantic/NYNEX Proposal
Company Specific Data**

1996 Annual Filing Data	Ameritech	BA	NYNEX	BS	SBC	PAC	USW	Citizens
Revenue								
LS	\$394,276,915	\$426,465,960	\$711,986,957	\$467,482,365	\$275,685,659	\$291,046,991	\$397,263,637	\$33,925,468
CCL	\$224,768,716	\$339,530,481	\$363,494,101	\$686,414,764	\$262,976,975	\$176,565,259	\$272,253,403	\$48,449,247
TIC	\$321,854,857	\$362,551,430	\$616,496,794	\$272,858,095	\$228,227,152	\$128,985,231	\$466,260,140	\$24,474,785
IS	\$7,337,827	\$27,660,188	\$0	\$19,910,725	\$17,677,315	\$3,642,253	\$14,285,032	\$1,427,957
Sw Trans	\$117,228,627	\$124,977,992	\$118,372,022	\$169,790,758	\$84,352,189	\$89,301,311	\$125,908,844	\$9,368,136
Total Usage Revenue	\$1,065,466,942	\$1,281,186,051	\$1,810,349,874	\$1,616,456,707	\$868,919,290	\$689,541,045	\$1,275,971,056	\$117,645,593
Remaining Traffic								
Sensitive	\$28,793,674	\$43,024,840	\$42,787,240	\$58,677,024	\$33,801,527	\$21,525,391	\$38,467,843	\$2,197,724
Special Access	\$374,121,910	\$437,371,381	\$374,814,224	\$446,959,565	\$398,051,723	\$270,854,738	\$306,510,101	\$12,139,445
IX	\$75,212,649	\$117,508,008	\$21,353,449	\$29,087,615	\$34,171,401	\$210,111	\$49,805,110	\$0
EUCL Revenue	\$840,857,159	\$940,543,107	\$815,268,488	\$1,007,588,742	\$676,552,740	\$725,116,227	\$695,258,426	\$36,778,968
Total Interstate Access Revenue	\$2,384,452,334	\$2,819,633,387	\$3,064,573,275	\$3,158,749,653	\$2,011,496,681	\$1,707,247,512	\$2,366,012,536	\$168,761,730
MOUs	44,748,785,859	61,606,020,361	51,489,150,878	61,878,991,467	35,575,273,898	31,681,398,918	48,397,990,585	2,113,072,617
Average MOU Rate	\$0.0238	\$0.0208	\$0.0352	\$0.0261	\$0.0244	\$0.0216	\$0.0264	\$0.0557

**ATT/Bell Atlantic/NYNEX Proposal
Company Specific Data**

1996 Annual Filing Data	GTE	Allant (Lincoln)	Frontier (Rochester)	SNET	Sprint	Total	BOCs
Revenue							
LS	\$536,457,523	\$8,567,817	\$39,572,177	\$92,293,550	\$197,489,775	\$3,872,514,794	\$2,964,208,484
CCL	\$704,580,496	\$949,798	\$18,688,458	\$41,580,124	\$234,322,444	\$3,374,554,266	\$2,328,003,699
TIC	\$183,487,975	\$5,017,615	\$7,145,464	\$40,271,814	\$88,835,638	\$2,746,466,990	\$2,397,233,699
IS	\$47,200,634	\$240,542	\$515,616	\$7,841,307	\$4,656,947	\$152,396,343	\$90,513,340
Sw Trans	\$101,489,753	\$2,374,182	\$6,398,148	\$19,736,076	\$49,417,917	\$1,018,715,955	\$829,931,743
Total Usage Revenue	\$1,573,216,381	\$17,149,954	\$72,319,863	\$201,702,871	\$574,722,721	\$11,164,648,348	\$8,607,890,965
Remaining Traffic Sensitive	\$18,393,219	\$401,934	\$899,060	\$2,020,263	\$10,743,545	\$301,733,284	\$267,077,539
Special Access	\$216,674,219	\$3,290,842	\$13,719,929	\$47,082,984	\$113,884,664	\$3,015,475,725	\$2,608,683,642
IX	\$27,869,040	\$33,997	\$0	\$0	\$6,708,260	\$361,939,640	\$327,328,343
EUCL Revenue	\$782,618,775	\$11,041,741	\$38,478,798	\$95,592,802	\$302,779,682	\$6,968,475,655	\$5,701,184,889
Total Interstate Access Revenue	\$2,618,771,634	\$31,918,468	\$125,417,650	\$346,398,920	\$1,008,838,872	\$21,812,272,652	\$17,512,165,378
MOUs	41,686,756,188	616,719,940	2,163,954,744	7,296,297,240	18,245,172,774	407,499,585,469	335,377,611,966
Average MOU Rate	\$0.0377	\$0.0278	\$0.0334	\$0.0276	\$0.0315	\$0.0274	\$0.0257

**ATT/Bell Atlantic/NYNEX Proposal
Company Specific Data**

<u>7/1/97</u>	<u>Ameritech</u>	<u>BA</u>	<u>NYNEX</u>	<u>BS</u>	<u>SBC</u>	<u>PAC</u>	<u>USW</u>	<u>Citizens</u>	<u>GTE</u>
<u>Forecast Revenue</u>									
LS	\$417,933,530	\$452,053,918	\$754,706,174	\$495,531,307	\$292,226,799	\$308,509,810	\$421,099,455	\$35,960,996	\$568,644,974
CCL - Payphone	\$238,254,839	\$313,563,487	\$338,940,498	\$727,599,650	\$239,672,045	\$158,878,689	\$270,428,740	\$50,253,157	\$746,169,510
TIC	\$341,166,148	\$384,304,516	\$653,486,602	\$289,229,581	\$241,920,781	\$136,724,345	\$494,235,748	\$25,943,272	\$194,497,254
IS	\$7,778,097	\$29,319,799	\$0	\$21,105,369	\$18,737,954	\$3,860,788	\$15,142,134	\$1,513,634	\$50,032,672
Sw Trans	\$117,228,627	\$124,977,992	\$118,372,022	\$169,790,758	\$84,352,189	\$89,301,311	\$125,908,844	\$9,368,136	\$101,489,753
<u>Total Usage Revenue</u>	\$1,122,361,241	\$1,304,219,712	\$1,865,505,296	\$1,703,256,664	\$876,909,767	\$697,274,943	\$1,326,814,922	\$123,039,195	\$1,660,834,163
<u>Remaining Traffic Sensitive</u>	\$30,521,294	\$45,606,330	\$45,354,474	\$62,197,645	\$35,829,619	\$22,816,914	\$40,775,914	\$2,329,587	\$19,496,812
<u>Special Access</u>	\$398,569,225	\$463,613,664	\$397,303,077	\$473,777,139	\$421,934,826	\$287,106,022	\$324,900,707	\$12,867,812	\$229,674,672
IX	\$79,725,408	\$124,558,488	\$22,634,656	\$30,811,672	\$36,221,685	\$222,718	\$52,793,417	\$0	\$29,541,182
<u>EUCL Revenue</u>	\$866,082,874	\$968,759,400	\$839,726,543	\$1,037,816,404	\$696,849,322	\$746,869,714	\$716,116,179	\$37,882,337	\$806,097,338
<u>Total Interstate Access Revenue</u>	\$2,495,260,042	\$2,906,757,594	\$3,170,524,047	\$3,307,859,524	\$2,067,745,219	\$1,754,290,311	\$2,461,401,138	\$176,118,932	\$2,745,644,168
<u>Forecast MOUs (6% Growth)</u>	47,433,713,011	65,302,381,583	54,578,499,931	65,591,730,955	37,709,790,332	33,582,282,853	51,301,870,020	2,239,856,974	44,187,961,559
<u>Adjustments</u>									
TIC 20%	\$68,233,230	\$76,860,903	\$130,697,320	\$57,845,916	\$48,384,156	\$27,344,869	\$98,847,150	\$5,188,654	\$38,899,451
Represcrip @ 11.25	\$362,994,000	\$4,462,000	\$155,930,000	\$403,590,000	\$20,214,000	\$280,903,000	\$151,629,000	\$20,035,000	\$461,691,000
PC @ 5.3%	\$112,500,000	\$97,842,239	\$90,433,531	\$42,699,672	\$64,126,514	\$47,233,029	\$146,420,212	\$5,380,124	\$83,486,440
Maximum	\$362,994,000	\$97,842,239	\$155,930,000	\$403,590,000	\$64,126,514	\$280,903,000	\$151,629,000	\$20,035,000	\$461,691,000
ML @ CAP	\$0	\$0	\$0	\$68,206,666	\$0	\$0	\$0	\$2,969,080	\$74,523,823
SL Bus to \$6.00	\$10,409,021	\$8,955,400	\$16,300,186	\$15,168,051	\$8,563,305	\$5,780,189	\$8,907,564	\$0	\$13,823,274
Total	\$10,409,021	\$8,955,400	\$16,300,186	\$83,374,717	\$8,563,305	\$5,780,189	\$8,907,564	\$2,969,080	\$88,347,097
<u>Adjusted Revenues</u>									
Usage Revenue	\$748,958,220	\$1,197,422,073	\$1,693,275,110	\$1,216,291,947	\$804,219,948	\$410,591,754	\$1,166,278,358	\$100,035,115	\$1,110,796,066
EUCL Rev	\$876,491,895	\$977,714,800	\$856,026,729	\$1,121,191,121	\$705,412,627	\$752,649,903	\$725,023,743	\$40,851,417	\$894,444,435
Per Line Rev	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Adjusted Revenues	\$1,625,450,115	\$2,175,136,873	\$2,549,301,839	\$2,337,483,068	\$1,509,632,575	\$1,163,241,657	\$1,891,302,101	\$140,886,532	\$2,005,240,501
Average MOU Rate	\$0.0158	\$0.0183	\$0.0310	\$0.0185	\$0.0213	\$0.0122	\$0.0227	\$0.0447	\$0.0251